# Ontario Housing Requirements 1976-2001

Ministry of Housing
Ontario

# Ontario Housing Requirements 1976-2001

## Prepared by

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**February, 1977**

## for the Policy and Program Development Secretariat

## Ministry of Housing

Ontario

**Hon. John Rhodes, *minister***
**Donald Crosbie, *deputy minister***

**Statements or opinions expressed herein are those of the author[s] and are not necessarily endorsed by the Ministry of Housing or by the Government of Ontario.**

Additional supporting technical material is contained in a separate publication entitled *Appendicies to the report Ontario Housing Requirements 1976-2001.* These appendicies are: Appendix A—Methodology for Forecasting Housing Requirements to 2001; Appendix B—Analysis of Potential Housing Supply; Appendix C—Monitoring. This separate appendicies publication has been printed in limited quantity. Copies are available from:
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February, 1977

Mr. John Burkus
Executive Co-ordinator
Policy and Program Development
Secretariat
Ministry of Housing
56 Wellesley Street W.
Toronto, Ontario.

Dear Mr. Burkus:

We are pleased to submit our report "Ontario Housing Requirements 1976-2001" which presents the results of our study carried out over the past few months.

As you know from our presentations and discussions with your staff, this is an extremely complex area of study necessarily dependent on assumptions about human behaviour and government policy. Thus while the assumptions made are the most reasonable in light of experience to date, and the future as we see it, fundamental changes could have an important effect. The most obvious example is the impact of immigration, a change in which could significantly alter future housing requirements.

It is also important to note that these are forecasts of short and long range housing requirements without consideration of short term political and economic effects that produce wide year to year swings in consumer demand. Accordingly, these forecasts will be more useful in dealing with longer range problems rather than those dependent on next year's activity. Despite these limitations we feel that the broad pattern of housing requirements is clear and has important implications for the future of the residential construction industry and government policy. It is to these issues that the report is addressed.

Because of the widespread interest in these forecasts, this report concentrates on the major findings and conclusions without extensive discussion of the more technical aspects. A separate report documenting the methodology and more detailed forecasts will be published in a more limited edition for those interested.

We have enjoyed working with you on this important assignment which has widespread implications for housing in Ontario. We trust it will aid your deliberations in future housing policy.

Yours sincerely,

Peter Barnard Associates

Peter Barnard Associates

RS/jp

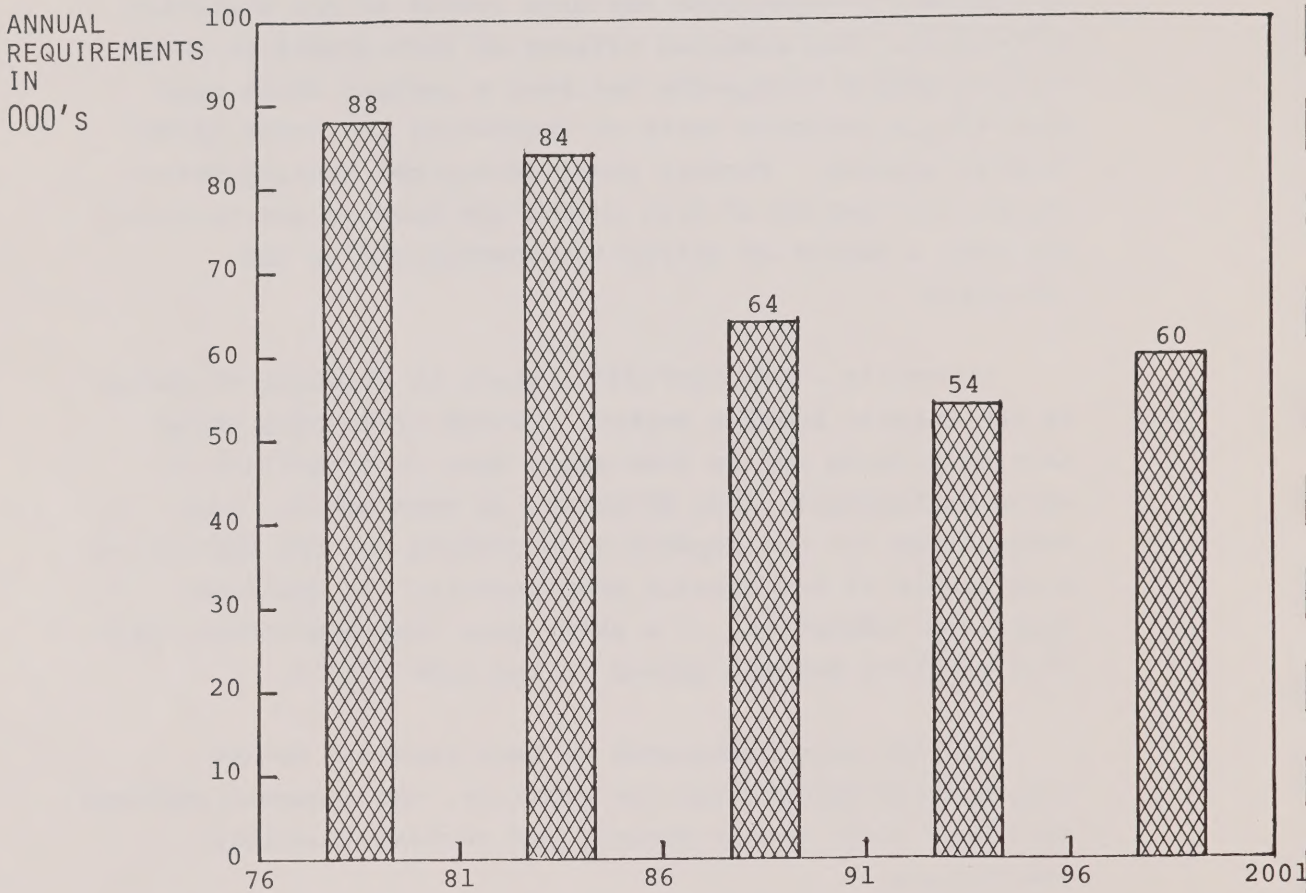
# SUMMARY

In recent years Ontario has been experiencing a period of unprecedented levels of new housing construction. This phenomenon is primarily the result of the "baby boom" generation reaching marriageable age and requiring housing. It has been further complicated by the growth in volume of non-family households and high levels of net migration to Ontario. The combined effects of this growth in young and non-family households has been a general shift away from single detached units to apartments and other higher density housing. Further complicating the housing market during this period of high volume new housing construction has been a period of spiralling housing prices and inflation.

Currently - February 1977 - there is evidence of change in the Ontario housing market. Prices of housing units have stabilized and in some areas have even declined in value particularly when inflation is considered. Most communities are now capable of providing for the continuing high levels of new housing requirements. In addition, there are indications of a shift away from apartments which characterized housing demand in the late 1960's.

Against this background we have examined future housing requirements for the Province, the economic regions, and the 9 major urban centres, and reviewed possible constraints.

THE REQUIREMENTS FOR NEW HOUSING UNITS ARE FORECAST TO DECLINE IN ONTARIO



*Five major conclusions can be drawn concerning the future ....*

1. Growth in Housing Requirements Has Peaked But Should Remain at High Levels Until the Mid-1980's. New housing requirements in Ontario should remain high, averaging 88,000 units annually to 1981 declining slightly to about 84,000 units annually through the 1981-86 period. These estimates are close to the 90,000 average units annually that have been built since 1971, however wide year-to-year fluctuations are possible.

2. After 1986 All Areas of the Province Should Experience a Substantial Decline in New Housing Requirements. By the 1986-91 period the province's new housing requirements should decline substantially to 64,000 units annually. The low point of the forecast should occur during the 1991-96 period at 54,000 units annually followed by a slight upturn to 60,000 units for the 1996-2001 period. A similar trend is expected in all Economic Regions and major urban centres.

3. Housing Requirements Are Sensitive to a Number of Variables, Particularly Changes in Net Migration. Currently net migration accounts for an estimated 28% of household growth. By the 1991-96 period it is expected to account for 46% of new housing requirements. Thus changes in migration could significantly alter the forecast of housing requirements. Other factors such as changes in fertility and in the social attitudes which influence household formation could also alter the forecast. However, changes in fertility will not have significant impact until the

## ESTIMATED NEW HOUSING REQUIRMENTS

## ONTARIO 1976-2001

| PERIOD | NUMBER OF UNITS |
|---|---|
| 1976-81 | 440,000 |
| 1981-86 | 420,000 |
| 1986-91 | 320,000 |
| 1991-96 | 270,000 |
| 1996-2001 | 300,000 |
| TOTAL | 1,750,000 |

1996-2001 period. And it is our view that the most significant social shifts have already occurred.

4. Single Detached Units and Ownership Should Constitute an Increasing Share of New Housing. Singles are expected to account for some 54% of housing additions during the 1976-81 period and increase to about 73% in the 1991-96 period. Correspondingly, ownership of new units should increase from 54% in the 1976-81 period to 76% in the 1991-96 period. The prime reason for this shift will be the maturing of the "baby boom" which will increasingly emphasize family households and older households. Traditionally as family households age, they increasingly occupy single detached and ownership units as they have the required income to afford such housing.

5. Most Major Urban Centres are Planning for Growth in Excess of our Forecasts. In the short term, all major urban areas have more than an adequate supply in various stages of development. With the exception of Windsor, all C.M.A.'s have a potential short term supply of 3 to 7 years. Over the long term most official plans indicate committment to growth in excess of our forecast. While land does not appear to be a major constraint rental economics could pose problems for adequately meeting the housing requirements of the province.

*How the study was carried out.....*

The approach used in this forecast is essentially demographic. It is our view that the determining factors in past and thus future housing requirements are the rate at which new households are formed and the age of the head. All the key variables, rate of household formation, income, unit type and tenure preference are strongly related to the type of household growth (family, non-family) and the age of the head.

More specifically our approach involved four major steps:

1. Developing household forecasts to 2001.

   Population forecasts prepared in mid-1976 by the Economic Analysis Branch of the Ministry of Treasury, Economics and Intergovernmental Affairs provided the basis for household projections to 2001. Using historical headship patterns and trends in each age category, population forecasts have been converted to household forecasts by ten year household head age categories and further divided into family and non-family for the province as a whole, economic areas and major urban centres.

2. Analysing past relationships and trends in tenure and housing type. To provide the basis for converting household forecasts into housing requirements, historic relationships between age of household head, incomes, unit type preferences and tenure have been analysed by area. These patterns and trends

form the basis for projecting future unit type and tenure patterns by age of household head.

3. <u>Converting household growth into housing requirements by type of unit</u>. To prepare final forecasts by type of unit, projected annual household growth has been converted into housing requirements on the basis of type and tenure patterns, and adjusted to provide adequate vacancies and also compensate for demolitions.

4. <u>Reviewing possible constraints on supply</u>. To help determine the feasibility of meeting requirements, current development plans and committments have been reviewed for each of the major urban areas in the Province. In addition, the longer term feasibility has been reviewed through an analysis of existing official plans.

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Exhibit 1.1

## SINCE 1966 THE VOLUME OF HOUSEHOLD GROWTH HAS INCREASED SIGNIFICANTLY IN ONTARIO

| | NUMBER OF ONTARIO HOUSEHOLDS | INCREASE OVER PERIOD |
|---|---|---|
| 1951 | 1,181,125 | |
| | | ) 211,366 |
| 1956 | 1,392,491 | |
| | | ) 248,390 |
| 1961 | 1,640,881 | |
| | | ) 235,664 |
| 1966 | 1,876,545 | |
| | | ) 351,615 |
| 1971 | 2,228,160 | |
| | | ) 372,840 |
| 1976 | 2,601,000 | |

*Source: Census, 1976 estimate.*

# 1. DEVELOPMENTS TO DATE

Over the past several years the housing industry in Ontario has experienced dramatic fluctuation. From a period of unprecedented growth in the early 70's which, combined with the problems of inflation, produced spiralling costs the industry is currently going through a period of adjustment. To provide a background and perspective on future housing requirements it is important to understand the forces underlying both longer term and more recent developments.

Accordingly this first chapter examines the basic demographic forces and the factors influencing trends, the shift to higher density development that has characterized recent development plus the recent period of housing problems and the corrections that currently appear to be developing.

## MAJOR GROWTH IN HOUSEHOLD FORMATION

Since 1951 Ontario has experienced unprecedented growth in new household formations. From the 211,000 new households formed in the 1951-56 period, the rate almost doubled to 373,000 for 1971-76. (Exhibit 1.1) This phenomenon is particularly interesting considering that population growth declined from 3.3% in 1951-56 period to an estimated 1% in the 1971-76 period. The factors contributing to this extraordinary growth are complex but can be grouped into two categories: demographic trends that have created high levels of new family formation; and a complex set of socio-economic factors that have changed the rate of non-family formation.

1. Demographic Trends. Analysis of population and household formations for the past twenty years shows that the recent phenomena in household formation can be traced in large part to three demographic trends.

- Maturing of the "baby boom" of the 1945-65 period is currently having an impact on household formation. The population born in this period started to enter the key household formation age group (20-30 years of age) in the late 1960's.

- Migration's effect on housing needs is more direct with a large volume of additional housing requirements being created immediately. During the 1951-61 and the 1961-71 period migration accounted for 58.1% (686,600 migrants) and 58.6% (617,100 migrants) respectively of provincial population growth. As a result of this continued high level of migration the requirements for additional housing units have been increased substantially.

- Age structure of the population is also an important factor in determining household growth. As the population ages it increases the rate at which it forms households. This propensity to form households is often expressed as a headship rate, which is, the rate at which the population in an age group will be household heads. Headship rates increase with age dramatically to age 45, then level off.

| Age Group | 1971 Ontario Headship Rates |
|---|---|
| 15-24 | .11 |
| 25-34 | .44 |
| 35-44 | .50 |
| 45-54 | .52 |
| 55-64 | .55 |
| 65+ | .56 |

2. Socio-Economic Changes. In addition to demographic factors much of the past household growth in Ontario has resulted from the increased rate of each age group to be household heads. In 1951 only 35% of the population 15 and over were household heads; by 1971 it had risen to 41%.

This increased rate of household formation has resulted from a complex array of socio-economic factors among which the following are most significant:

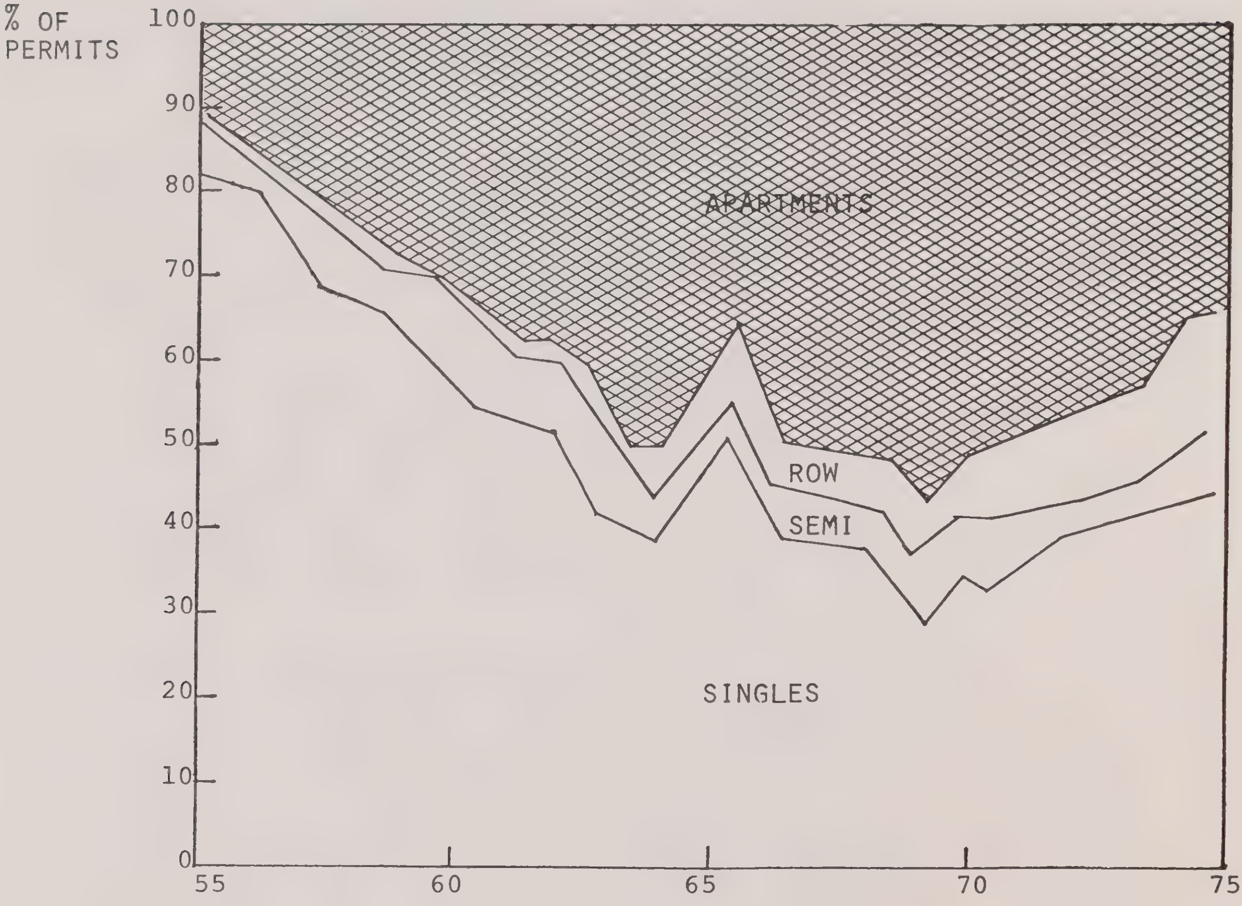
- Undoubling of families. In 1951, 12.3% of families lived with another family. By 1971 this figure had fallen to 3.8%, creating the need for a great many more housing units to house the same population.

- Increasing rate of divorce. Divorces are an important element in household growth as with each divorce an additonal household is often created. In 1973 the rate of divorce per 100,000 population reached 174, an increase of 378% from the rate of 46 per 100,000 population in 1951.

- Increasing trend for seniors and young to maintain independent households. Since the 1950's there has been a trend towards more seniors maintaining their own households as indicated by the increase in proportion of people 65+ who were household heads, 51% in 1951 to 56% in 1971. This trend towards more seniors maintaining their own households has resulted from several factors including growing social acceptance, availability of senior citizen housing and increased social assistance.

Exhibit 1.2

## APARTMENTS HAVE INCREASED THEIR SHARE OF NEW HOUSING CONSTRUCTION SIGNIFICANTLY




*Source: CMHC Canadian Housing Statistics*

A similar pattern has occurred among the young as evidenced by the tremendous increase occurring in households being formed with heads under 25. In 1961 only 7% of the population in this age group were household heads. By 1971 it had risen to 11%.

## SHIFT TO HIGHER DENSITY

Since the mid 1950's Ontario has experienced a fundamental shift to higher density accommodation. From 1955 when single detached construction accounted for 81% of housing starts, it declined to 28% in 1970 with apartments, semis and rows taking up the difference. There is some evidence that the decline has bottomed and is beginning to reverse. (Exhibit 1.2) In considering the future it is important to understand the factors that caused the shift and the extent to which they will continue. Our analysis shows that the shifts since 1955 can be attributed to two major factors.

1. Growth in non-family and young family households. Traditionally these types of households occupy apartment accommodation in large numbers. Of households under 35, 68% of those in the 15-24 age category live in apartments and 37% of those in the 25-34 age category. Non-family households also tend to occupy apartments at a high rate of 53% as opposed to 21% by family households. In recent periods both of these groups have significantly increased in numbers.

- Households under 35 have significantly increased in volume since 1951. In 1951 there were only 270,555 households with heads under 35 increasing to 610,715 in 1971. As a proportion of household growth this age group has also increased its proportion from 28% in the 1951-61 period to 36% in the 1961-71 period. A further increase to 50% of total household growth in the province is estimated for the 1971-76 period.

- Non-family households as a proportion of total household growth increased from 10% during the 1951-61 period to 31% in the 1961-71 period. A slight decline to 28% is estimated for the 1971-76 period. In terms of volume non-family households increased to an estimated 461,000 household in 1976 up from 402,000 in 1971 and 134,000 in 1951.

2. Shifts in Occupancy Patterns. Over the past 20 years several household types have significantly shifted their occupancy patterns. These shifts have been further compounded by recent responses to the high prices of purchase housing.

   - Some households, particularly the young, the elderly, and non-family have significantly shifted their occupancy patterns. Unfortunately the specific data relating household type, age and dwelling occupied is not available for 1951 and 1961. However a good indication of unit type occupancy patterns can be obtained by examining the general tenure patterns which are

available historically. Of households under 35 in 1951, only 48% rented, in 1971, this had risen to 63%. Among the elderly, a shift from 20% to 30% rental occurred over the same period. A substantial shift also occurred among non-family households with rental increasing from 36% in 1951 to 60% in 1971.

- Since 1971 further shifts have occurred as a response to spiralling purchase housing costs. In an attempt to maintain affordability, increased numbers of rows, semis and condominium apartments have been constructed.

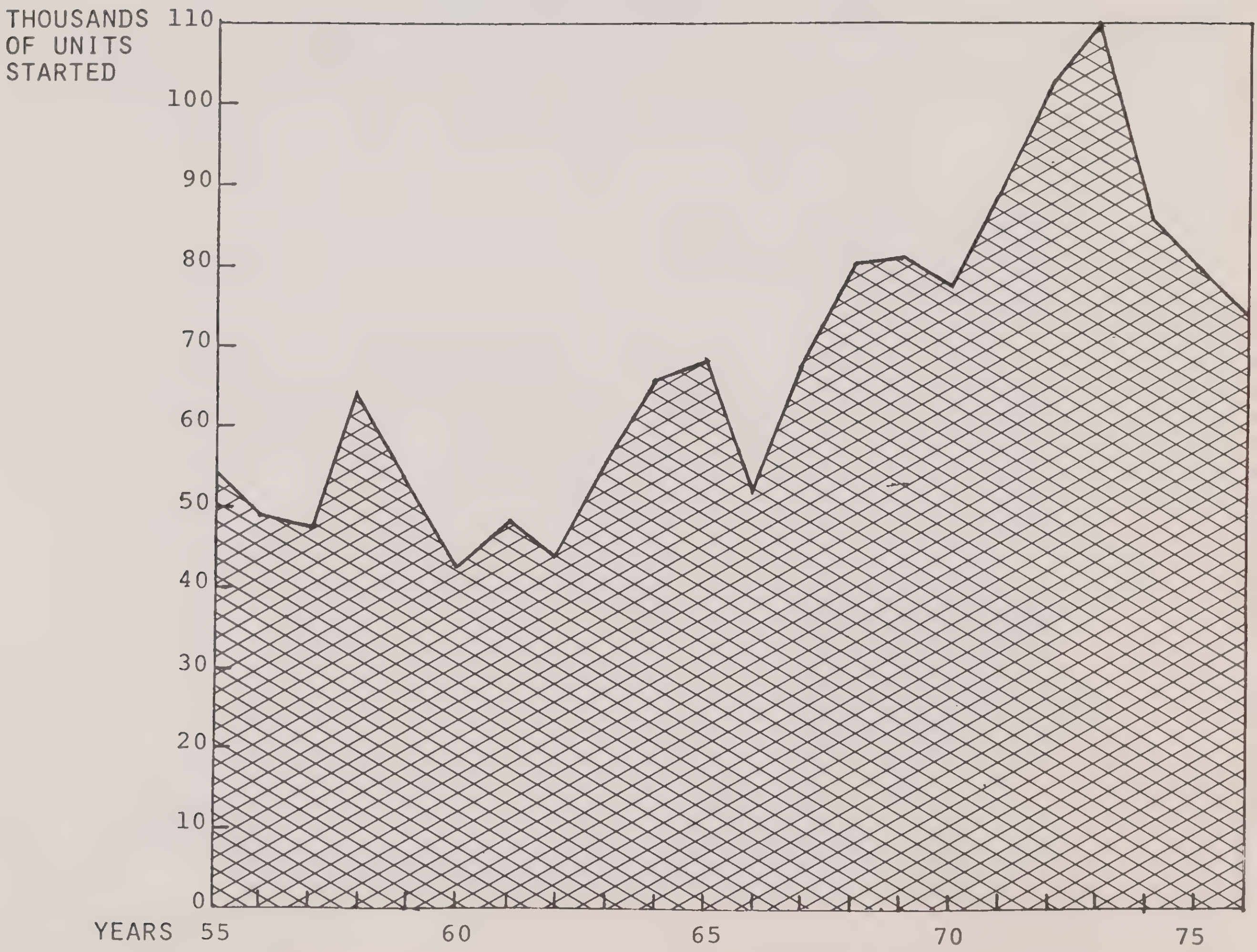
## PROBLEMS CREATED BY SURGE IN DEMAND DIMINISHING

The 1972-75 period was a disruptive period for the housing market. The surge in demand resulted in purchase housing shortages during the 1972-73 period. Coincident with this surge was a period of historical high inflation which in itself created additional demand for housing as an investment. These two factors, shortages and inflation, resulted in soaring house prices and affordability problems for new purchasers. Cost of new single detached ownership is estimated to have increased 85% over the 1972-75 period as compared to annual increases of 6% - 9% over the 1965-72 period.

Several factors have however occurred since this period which are easing the supply and cost problems.

Exhibit 1.3

## HOUSING STARTS HAVE INCREASED SUBSTANTIALLY IN ONTARIO




*Source: CMHC* *Canadian Housing Statistics*

1. Current levels of construction have created oversupply. As Exhibit 1.3 illustrates recent years have been characterized by high levels of dwelling unit starts. These levels of construction have resulted in the current oversupply situation which has led to stabilization and in some areas declining prices for purchase housing. The greatest oversupply currently is row units which are having market difficulties due to declining unit type price spreads.

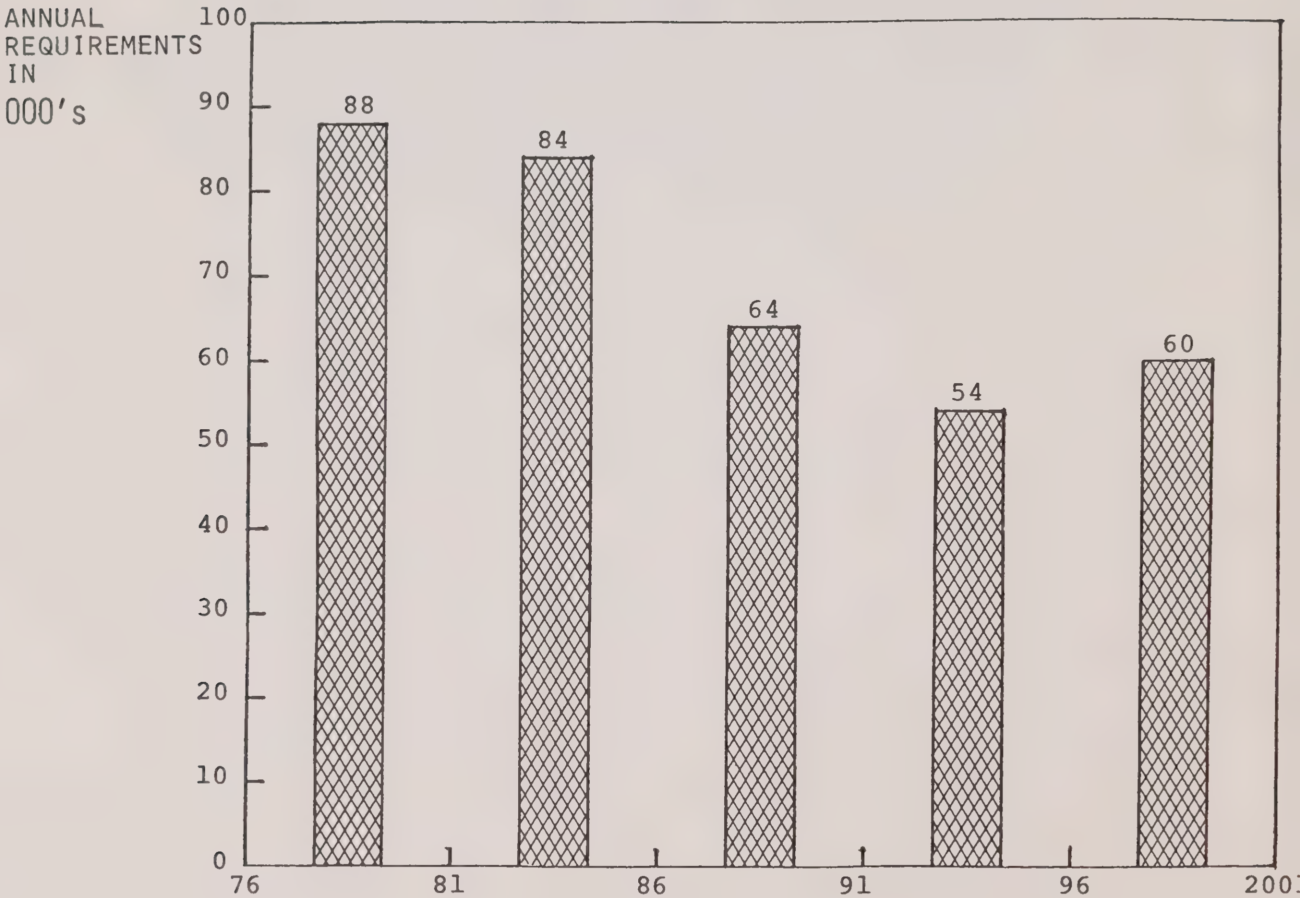
2. New purchase programs and options were provided. In response to the erosion in affordability both government and industry have responded with actions to ease the situation. A number of government assisted purchase programs were designed using reduced standards, grants, and mortgage assistance which have helped during the problem period. The industry responded by participating in these government programs and by increasing the production of condominium and semi-detached units.

3. Changes in the Economy. Since the 1972-75 period the rate of inflation has almost halved in Canada. This decline combined with an apparent easing in inflationary psychology has helped level spiralling housing costs. Recent declines of 1.0% in mortgage interest rates are also improving the affordability situation.

*     *     *     *     *     *

Ontario has recently entered a period of high household formation which is primarily the result of the maturing of the "baby boom" population. Shifts in unit type, particularly to apartments, have occurred but they are primarily related to the nature of past household growth. These shifts to higher density units have been further accelerated by spiralling house prices. Currently, there is evidence to suggest that, the housing market has adjusted to these increased levels of demand, an oversupply exists and the prices of purchase housing have stabilized.

## THE REQUIREMENTS FOR NEW HOUSING UNITS ARE FORECAST TO DECLINE IN ONTARIO



## 2. REQUIREMENTS TO 2001

Based on population forecasts for the province and projections of new household formation it appears that the rate of growth has stabilized and while requirements are likely to be sustained at high levels through the early 80's a substantial decline can be expected beyond 1986.

Moreover, the decline could be pronounced if migration falls below present levels. A similar pattern of housing requirements can be expected across the province although the decline could be more pronounced outside Central Ontario. Consistent with the changing pattern of requirements and profile of the population a strong trend to single detached units is expected.

### HOUSING GROWTH IS FORECAST TO DECLINE

New housing requirements in Ontario for the 1976-81 and 1981-86 period should remain high at an average annual rate of 88,000 and 84,000 units respectively. After 1986 unit requirements should decline substantially: 1986-91 - 64,000 units; 1991-96 - 54,000 units; 1991-2001 - 60,000 units.

The major reason for this pattern is the stabilization in household growth to 1986 after which it is expected to decline. This decline will be further compounded by an expected leveling in the social factors affecting rates of household formation.

Exhibit 2.2

## THE RATE OF HOUSEHOLD GROWTH HAS PEAKED

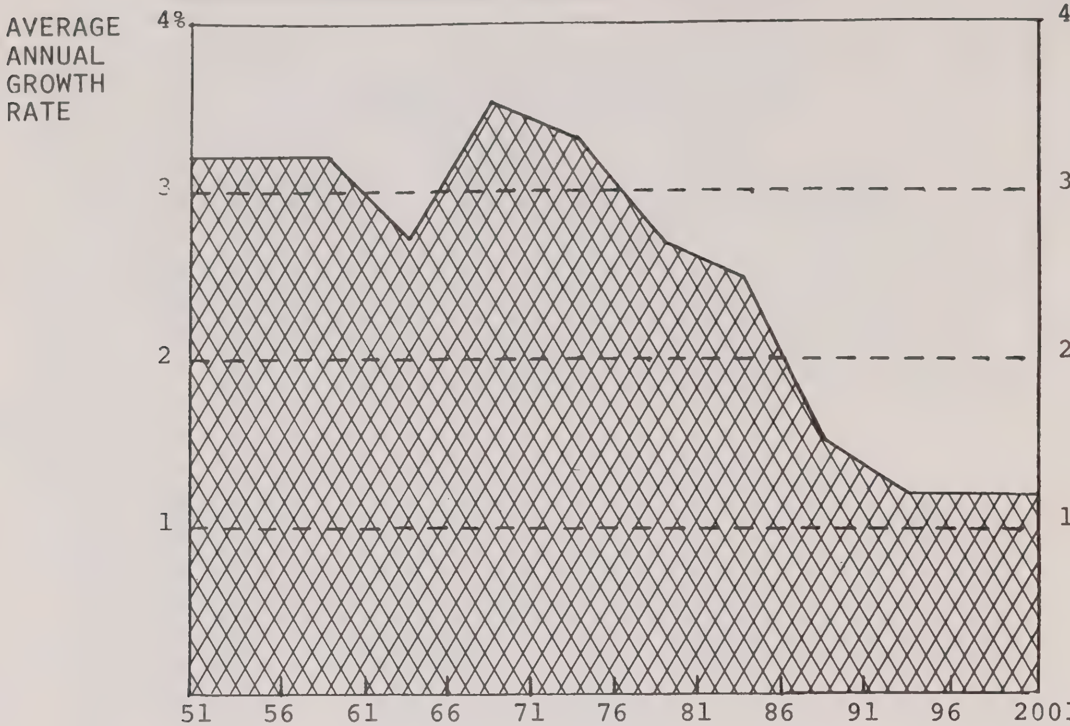
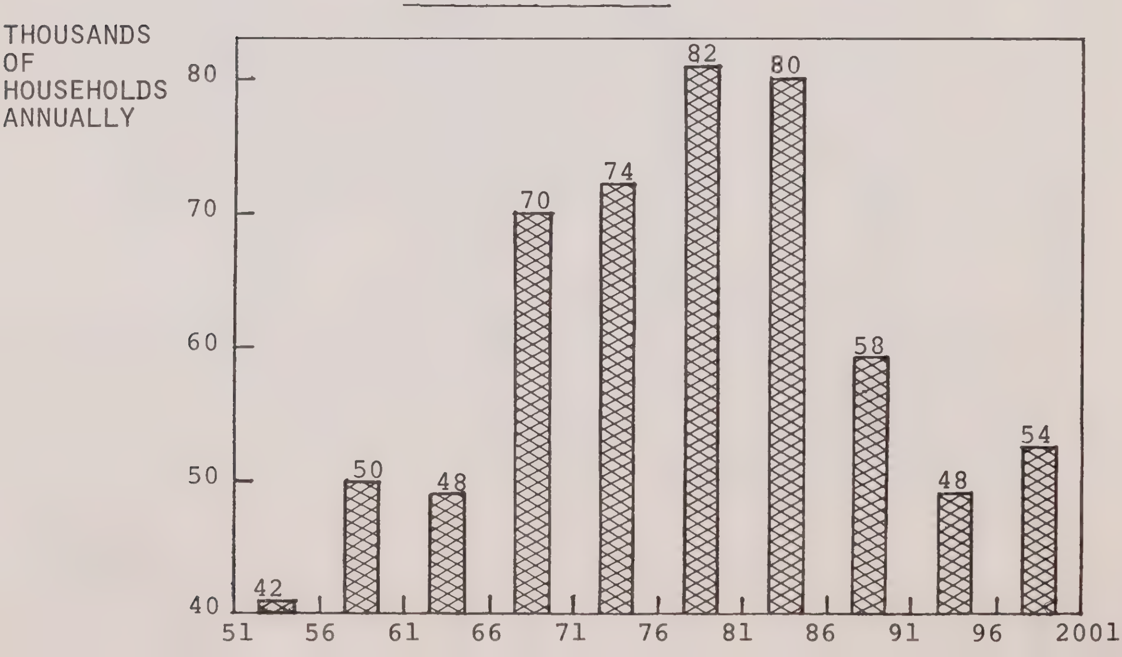



Exhibit 2.3

## THE VOLUME OF HOUSEHOLD GROWTH HAS LEVELLED AND WILL DECLINE



## 1. Decline in Household Growth

After a period of unusually high rate of growth in new household formation there are signs that it has peaked (Exhibit 2.2). However the absolute volume of household growth should be sustained through the early 80's followed by a sharp fall off after 1986. Over the longer term the rate of household formation could increase due to the anticipated echo effect of the "baby boom". (Exhibit 2.3).

- Maturing of "baby boom" will account for much of the decline. By 1986 the volume of population growth in the key household formation age group (15-34) will have declined substantially reflecting the recent lower levels of fertility. (Exhibit 2.4). After 1986, the bulk of the baby boom population will be in 35+ age categories hence the increase in the rate at which Ontario's population is expected to form households, should increase less dramatically (Exhibit 2.5) than in recent years.

  As a result the volume of household formation is anticipated to decline substantially from current rates bottoming at 240,000 for the 1991-96 period which is only 59% of the 410,000 household growth expected in the peak period of 1976-81.

- The anticipated echo effect of the "baby boom" will not affect household growth until 1996. Currently due to the baby boom an abnormally large number of women are in the fertile age group (15-49). This

Exhibit 2.4

## THE KEY HOUSEHOLD FORMATION AGE GROUP 15-34 WILL ACCOUNT FOR A DECREASING PROPORTION OF POPULATION GROWTH

| | GROWTH IN 15-34 AGE GROUP AS % OF TOTAL ONTARIO POPULATION GROWTH |
|---|---|
| 1971-76 | 50% |
| 1976-81 | 46% |
| 1981-86 | 6% |
| 1986-91 | 5% |
| 1991-96 | 5% |
| 1996-2001 | 15% |

Exhibit 2.5

## THE RATE AT WHICH THE POPULATION WILL BE A HOUSEHOLD HEAD INCREASES AS THE POPULATION AGES

| | ESTIMATED ONTARIO 1976 HEADSHIP RATES |
|---|---|
| 15-24 | .12 |
| 25-34 | .46 |
| 35-44 | .51 |
| 45-54 | .53 |
| 55-64 | .56 |
| 65+ | .58 |

large volume combined with the fertility rate assumptions used in the base population forecast results in an upturn in household growth during the 1996-2001 period. However, if the current trend of declining fertility rates continues this anticipated upturn in household growth will not materialize.

2. Impact of Social Factors

As previously discussed, the increasing rate at which population in each age group formed households (headship rate) contributed to the volume of household growth. In the future, while further increases in headship rates are forecast (Exhibit 2.6) they will not contribute to household growth in the same magnitude as in the past.

The reasons for this leveling are mainly judgemental but it is our feeling that the factors underlying recent increases in headship rates are about to stabilize. For example, undoubling, which has been an important contribution to headship rate increases in the past has almost finished. Only 3.8% of families were doubled up in 1971, compared to 12.3% twenty years ago. Thus little additional demand for housing would be expected from this phenomenon. Divorces could remain at current high levels but further rapid increases in the rate are not likely.

Exhibit 2.6

## THE PROPENSITY TO FORM HOUSEHOLDS IS NOT FORECAST TO CHANGE DRAMATICALLY

FORECAST ONTARIO HEADSHIP RATES BY AGE

| | 1976 | 1981 | 1986 | 1991 | 1996 | 2001 |
|---|---|---|---|---|---|---|
| 15-24 | .12 | .14 | .16 | .16 | .15 | .15 |
| 25-34 | .46 | .48 | .50 | .50 | .50 | .50 |
| 35-44 | .51 | .52 | .52 | .52 | .53 | .53 |
| 45-54 | .53 | .54 | .54 | .53 | .53 | .53 |
| 55-64 | .56 | .57 | .58 | .58 | .58 | .58 |
| 65+ | .58 | .60 | .61 | .60 | .60 | .60 |

## FALL OFF IN MIGRATION COULD ACCELERATE DECLINE

All forecasts are sensitive to changes in the underlying assumptions and our assumption about migration is quite sensitive in this forecast. With declining fertility rates, migration will account for an increasing share of population and household growth thus a major fall off could accelerate the projected decline. In addition to migration this forecast is also sensitive to a number of unpredictable factors including changing fertility rates, social factors, and economic conditions.

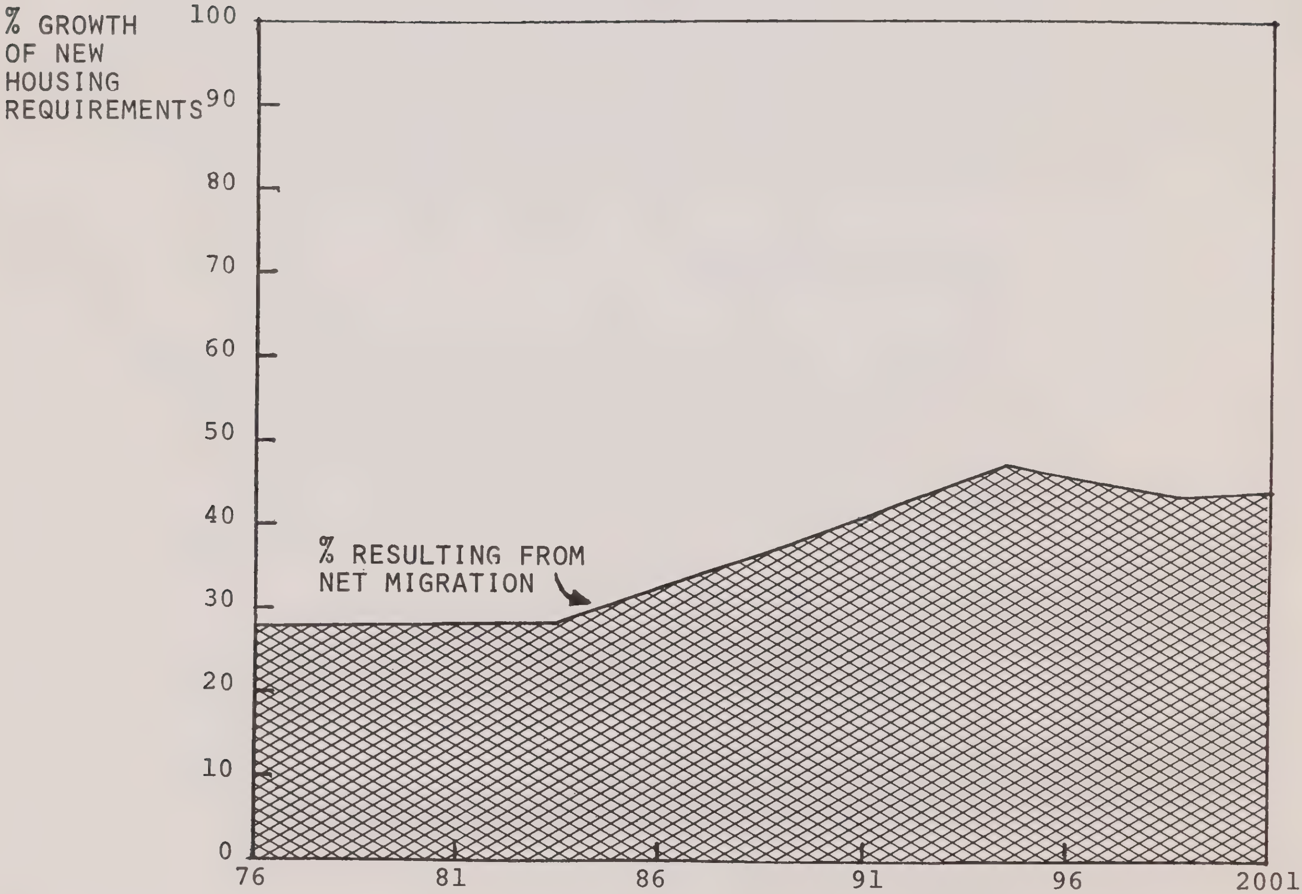
1. Impact of migration.

   Currently migration accounts for an estimated 28% of household growth. Since natural household increase by the 1970's is expected to be much lower than current levels, migration households will account for an increasing proportion of Ontario's future household growth. Whether this does in fact occur will depend upon immigration policies.

   - By 1991-96 migration could account for 46% of forecast housing growth. If net migration to Ontario remains at 50,000 people annually, by the 1991-96 period it will account for 46% of the new Ontario housing requirments. This is a substantial increase from the 28% in the current period. (Exhibit 2.7).

Exhibit 2.7

GROWTH IN HOUSING REQUIREMENTS INCREASINGLY THE RESULT OF NET MIGRATION



- <ins>However new policies are likely to reduce level of migration</ins>. Currently the federal government is engaged in a program of developing a new policy on international migration. Most views on this issue would seem to suggest that a decline in net migration to 30,000 annually for the province could be conceivable. A decrease to this level would decrease housing requirements. For example, requirements in the 1976-81 period would decline by 12%.

2. <ins>Other Assumptions</ins>

In this forecast of housing requirements a number of other areas could also raise or lower the volume of new housing requirements. These include changing headship and fertility rates and economic conditions. However based on our analysis they are unlikely to have a substantial effect.

- <ins>Changes in the headship rate, the rate at which age groups form households, are very sensitive, however significant deviations from those forecast are not likely to occur</ins>. Changing the overall rate at which the population over 15 is likely to form households can significantly alter the rate of household growth. For example, changing the headship rate from .44 to .45 for the 1976-81 period increases household growth by 16%.

  However, the majority of age groups have reached a point where they are unlikely to have substantial

headship rate increases over those used in the forecast. For example, all households in the 35+ age groups will only have significant increases in their headship rates if there are significant changes in mortality patterns, rate of marriages, or a huge surge in divorces.

Two groups do, however, have some potential for increased headship rates. Those in the 15-24 age category could increase the rate at which they leave home. Those in the 25-34 age group who currently have headship rates of .46 could increase towards the .51-.60 rates characteristic to older age categories.

- Changes in fertility rate are only significant for household growth after 1996. Although highly sensitive in population forecasts, fertility rate assumptions have little impact on household forecasts less than 20 years into the future. Thus, changes in fertility rates occurring now will not have significant impact on housing until these people enter the key household formation age category (15-34) in the 1996-2001 period.

- Changing economic conditions could also have an indirect influence. Migration tends to be very closely related to economic growth, and increased employment opportunities. Historically, during the period of undoubling and rising propensities to form households, tremendous gains were made in growth in real incomes so that many

Exhibit 2.8

## ALL ECONOMIC REGIONS WILL EXPERIENCE DECLINE IN NEW HOUSING REQUIREMENTS

| | AVERAGE ANNUAL NEW HOUSING REQUIREMENTS | | | | |
|---|---|---|---|---|---|
| | 1976 -81 | 1981 -86 | 1986 -91 | 1991 -96 | 1996 -2001 |
| Central | 56,500 | 55,800 | 43,400 | 37,700 | 42,100 |
| Eastern | 12,000 | 11,000 | 7,700 | 6,200 | 7,200 |
| Southwestern | 12,200 | 10,600 | 7,900 | 6,600 | 7,500 |
| Northeastern | 6,300 | 6,200 | 4,000 | 3,000 | 3,400 |
| Northwestern | 1,500 | 900 | 500 | 400 | 300 |

more people were able to afford separate accommodation.

In the future, we are also assuming real growth in income similar to past trends. If real income should not increase, the anticipated increases in headship rate may not materialize and the volume of household growth would decline.

## CHANGES WILL BE MORE PRONOUNCED OUTSIDE CENTRAL ONTARIO

As indicated in Exhibit 2.8, all Economic Regions in the province will experience substantial declines in new housing requirements after 1986 increasing slightly after 1996. With the exception of Central Ontario all will experience levels of new housing requirements that are about 50% or less of those in the peak period. Central Ontario's forecast of annual requirements (38,000 in the 1991-96 period) is 67% of the peak requirements of 57,000 that are forecast for the 1981-86 period. By the 1991-96 period Northwestern Ontario will be experiencing virtually no need for new housing units. More specifically:

1. Central Ontario is the only area expected to increase its share of housing growth. Of the Economic Regions only Central Ontario should consistently have a rate of housing growth higher than the province's. As a result it will be the only Economic Region that

Exhibit 2.9

## ALL CENSUS METROPOLITAN AREAS SHOULD EXPERIENCE DECLINE IN NEW HOUSING REQUIREMENTS

| | AVERAGE ANNUAL REQUIREMENTS | | | | |
|---|---|---|---|---|---|
| | 1976 -81 | 1981 -86 | 1986 -91 | 1991 -96 | 1996 -2001 |
| Toronto | 34,000 | 33,000 | 27,000 | 23,000 | 26,000 |
| Ottawa | 7,400 | 7,000 | 6,100 | 5,200 | 5,600 |
| Hamilton | 5,000 | 5,000 | 3,300 | 2,500 | 3,300 |
| London | 3,800 | 3,200 | 2,400 | 2,000 | 2,800 |
| Kitchener | 3,200 | 3,400 | 3,400 | 2,800 | 3,100 |
| Windsor | 3,000 | 2,700 | 1,900 | 1,900 | 2,400 |
| St. Catharines/ Niagara | 2,900 | 3,100 | 2,300 | 1,700 | 1,900 |
| Thunder Bay | 900 | 700 | 300 | 300 | 100 |
| Sudbury | 2,100 | 2,300 | 1,900 | 1,300 | 1,700 |

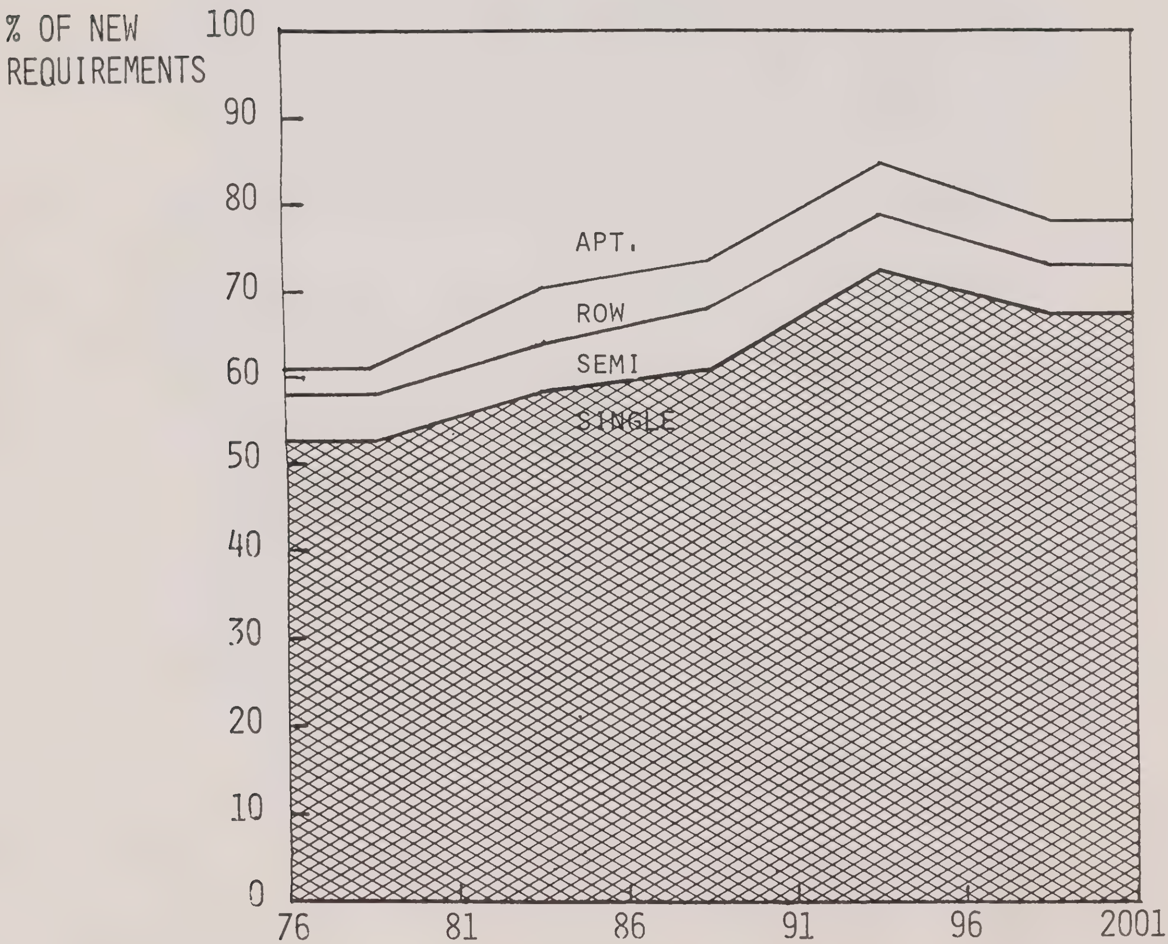
will increase its proportion of future provincial housing growth. It's share is expected to rise from 64% in the 1976-81 period to 70% in the 1996-2001 period.

2. <u>All urban areas are expected to follow provincial trends.</u> The nine census metropolitan areas in the province are anticipated to experience a leveling in the volume of new housing requirements to 1986 followed by a decline. (Exhibit 2.9). The Kitchener C.M.A. should experience the least decline with new housing requirements remaining at high levels throughout the entire forecast period. The largest declines are anticipated in Hamilton, London and Thunder Bay.

It should be noted that Regional and C.M.A. forecasts are more sensitive to changing conditions. The potential exists for greater error in the regional and urban area forecasts than in those for the province. For example, migration is currently heavily concentrated in the Toronto urban area (approximately 55%). Thus changes in migration are likely to have a more pronounced impact on this area than Windsor which, for example, receives only 3% of the province's net migration. As a further example, the two northern Economic Regions and C.M.A.'s have historically experienced growth patterns that fluctuated greatly with changing economic conditions.

Exhibit 2.10

A SIGNIFICANT SHIFT TOWARDS SINGLES IS LIKELY



## UNIT TYPE EMPHASIS IN FUTURE SHOULD BE SINGLE DETACHED

In order to forecast housing requirements by unit type it has been necessary to make a number of key assumptions. The most critical of these is our view that recent trends in affordability (1972-75) are not consistent with the long term historic relations and our view that they are currently correcting themselves. As a result our long term forecast has been based on 1971 data for the distinct occupancy patterns of each age and household category. Based on this relationship we would anticipate a significant shift away from apartments to single detached units. (Exhibit 2.10).

Unit Type Proportions of Future Requirements

| | Single | Semi | Row | Apt. |
|---|---|---|---|---|
| 1976-81 | 52% | 6% | 3% | 39% |
| 1981-86 | 57 | 7 | 5 | 31 |
| 1986-91 | 67 | 6 | 5 | 22 |
| 1991-96 | 72 | 7 | 6 | 15 |
| 1996-2001 | 67 | 7 | 5 | 21 |

In keeping with this shift to singles the proportion of newly constructed ownership units should increase throughout Ontario. In the 1976-81 period owned units are expected to account for 54% of additions to stock. Beyond this point further ownership increases are expected - 58% from 1981-86, 69% in 1986-91, 76% through 1991-96, and 72% from 1996-2001.

Exhibit 2.11

# ALL ECONOMIC AREAS SHOW SIMILAR SHIFT TO SINGLES

| | UNIT TYPE AS % OF TOTAL REQUIREMENTS | | | | |
|---|---|---|---|---|---|
| | 1976 -81 | 1981 -86 | 1986 -91 | 1991 -96 | 1996 -2001 |
| **Central** | | | | | |
| Single | 49 | 54 | 61 | 67 | 62 |
| Semi | 8 | 9 | 9 | 8 | 8 |
| Row | 4 | 4 | 4 | 3 | 3 |
| Apartment | 38 | 33 | 26 | 21 | 26 |
| **Southwestern** | | | | | |
| Single | 64 | 64 | 84 | 88 | 78 |
| Semi | 3 | 3 | 3 | 2 | 2 |
| Row | 4 | 3 | 3 | 2 | 2 |
| Apartment | 29 | 25 | 10 | 8 | 18 |
| **Eastern** | | | | | |
| Single | 52 | 57 | 68 | 78 | 70 |
| Semi | 7 | 7 | 7 | 7 | 6 |
| Row | 7 | 7 | 7 | 4 | 4 |
| Apartment | 34 | 29 | 18 | 11 | 20 |
| **Northeastern** | | | | | |
| Single | 61 | 68 | 79 | 73 | 80 |
| Semi | 4 | 4 | 4 | 3 | 3 |
| Row | 3 | 3 | 4 | 3 | 2 |
| Apartment | 32 | 25 | 13 | 21 | 15 |
| **Northwestern** | | | | | |
| Single | 73 | 76 | 96 | 95 | 75 |
| Semi | 3 | 2 | 1 | - | 1 |
| Row | 3 | 2 | 2 | - | 1 |
| Apartment | 21 | 20 | 1 | 5 | 23 |

All economic areas will show a similar trend towards single detached units. (Exhibit 2.11). Even Central Ontario is anticipated to increase the proportion of singles to a high of 67% by the 1991-96 period. Of the urban areas the shift to singles will be least pronounced in Toronto and Ottawa where a peak of 55% and 57% respectively for single units will be reached. (Exhibit 2.12). The shift to single units can be attributed to four factors:

1. Household growth in future will be primarily among mature family households. As the "baby boom" ages, growth in the number of households in Ontario will shift to older age categories. By the 1976-81 period 52% of the household growth will be accounted for by the 25-44 age group. By the 1981-86 period this group will account for 62% of household growth. By the 1986-2001 period the younger age categories will actually experience declines in the total number of households in those age categories.

The Proportion of Household Growth Accounted For By Each Age Grouping Will Change

| | 1976 -81 | 1981 -86 | 1986 -91 | 1991 -96 | 1996 -2001 |
|---|---|---|---|---|---|
| 15-24 | 11% | 4% | -3% | 3% | 8% |
| 25-34 | 31 | 27 | 16 | -24 | -12 |
| 35-44 | 21 | 35 | 41 | 33 | 18 |
| 45-54 | 4 | 5 | 22 | 58 | 43 |
| 55-64 | 16 | 13 | 1 | 4 | 27 |
| 65+ | 17 | 16 | 23 | 26 | 16 |

Exhibit 2.12

# MAJOR URBAN CENTRES EXPECTED TO EMPHASIZE SINGLES IN FUTURE

| | | UNIT TYPE AS % OF TOTAL REQUIREMENTS | | | | |
|---|---|---|---|---|---|---|
| | | 1976 -81 | 1981 -86 | 1986 -91 | 1991 -96 | 1996 -2001 |
| Toronto | Single | 41 | 44 | 48 | 55 | 48 |
| | Semi | 12 | 13 | 13 | 12 | 12 |
| | Row | 5 | 5 | 4 | 4 | 7 |
| | Apartment | 42 | 38 | 35 | 29 | 33 |
| Ottawa | Single | 49 | 47 | 52 | 55 | 57 |
| | Semi | 3 | 8 | 8 | 8 | 7 |
| | Row | 7 | 9 | 9 | 6 | 6 |
| | Apartment | 41 | 36 | 31 | 31 | 30 |
| Hamilton | Single | 43 | 59 | 74 | 76 | 74 |
| | Semi | 7 | 3 | 3 | 2 | 2 |
| | Row | 9 | 4 | 4 | 2 | 2 |
| | Apartment | 41 | 34 | 19 | 20 | 22 |
| London | Single | 50 | 60 | 75 | 77 | 75 |
| | Semi | 4 | 4 | 3 | 3 | 3 |
| | Row | 4 | 4 | 3 | 3 | 4 |
| | Apartment | 42 | 32 | 19 | 17 | 18 |
| Kitchener | Single | 50 | 60 | 75 | 77 | 75 |
| | Semi | 5 | 5 | 5 | 4 | 4 |
| | Row | 4 | 4 | 4 | 3 | 3 |
| | Apartment | 41 | 31 | 16 | 16 | 18 |
| Windsor | Single | 55 | 64 | 79 | 82 | 78 |
| | Semi | 5 | 5 | 3 | 3 | 3 |
| | Row | 4 | 4 | 4 | 4 | 4 |
| | Apartment | 36 | 27 | 14 | 11 | 15 |
| St. Catharines/ Niagara | Single | 51 | 62 | 76 | 78 | 76 |
| | Semi | 5 | 3 | 3 | 3 | 3 |
| | Row | 4 | 4 | 4 | 3 | 3 |
| | Apartment | 40 | 31 | 17 | 16 | 18 |
| Thunder Bay | Single | 55 | 67 | 69 | 69 | 80 |
| | Semi | 5 | 4 | 4 | 3 | 3 |
| | Row | 3 | 3 | 3 | 3 | 3 |
| | Apartment | 37 | 26 | 24 | 25 | 14 |
| Sudbury | Single | 51 | 65 | 67 | 67 | 78 |
| | Semi | 5 | 5 | 5 | 4 | 4 |
| | Row | 3 | 3 | 3 | 4 | 2 |
| | Apartment | 41 | 27 | 25 | 25 | 16 |

2. <u>Traditionally, mature households have high incomes</u>. Historic data indicates that household income rises with age of household head.

| Age of Head | Ontario 1973 Household Income |
|---|---|
| 15-24 | $ 6,900 |
| 25-34 | 12,300 |
| 35-44 | 14,700 |
| 45-54 | 15,400 |
| 55-64 | 12,400 |
| 65+ | 6,400 |

This pattern would appear to suggest that as households age their ability to afford housing increases.

3. <u>Historically, high proportions of mature family households have occupied single detached units</u>. In 1971 occupancy of single detached units by mature family households was very high. Single occupancy also rises with each age group to 55-64 after which it levels slightly.

| Age of Head | % of Family Households Occupying Single Detached Units, 1971 |
|---|---|
| 15-24 | 26% |
| 25-34 | 52% |
| 35-44 | 72% |
| 45-54 | 74% |
| 55-64 | 75% |
| 65+ | 73% |

4. <u>Non-family households will account for a smaller proportion of household growth</u>. Traditionally these households have a high tendency to occupy apartments. In 1971, 53% of non-family households occupied apartments as opposed to 21% of family households. Over the forecast period, growth in non-family households is expected to decline, thus contributing to the decline in new apartment requirements.

| | Non-Family Households As % of Future Ontario Housing Growth |
|---|---|
| 1976-81 | 31 |
| 1981-86 | 29 |
| 1986-91 | 20 |
| 1991-96 | 17 |
| 1996-2001 | 22 |

*        *        *        *        *        *        *

New housing construction should decline in Ontario, its economic areas and major urban centres. Underlying this decline will be the maturing of the "baby boom" population. Although this declining trend can be expected, the magnitude of decline will be dependent upon a number of key factors particularly net migration. A shift in unit type to more emphasis on singles is also anticipated but this is dependent upon the maintenance of past occupancy patterns particularly by mature households.

# 3. LAND AVAILABILITY

In addition to forecasting future housing requirements for Ontario we have also examined potential constraints on supply, particularly land availability. Our studies show that plans in various stages of approval in Ontario's major urban centres contain a more than adequate supply of land for forecasted short term housing requirements. Over the longer term, official plans of the municipalities that compose the major urban areas of the province, could accommodate growth in excess of our forecast. Moreover, total land requirements for housing are small in terms of total provincial land area. Potential constraints to supply are regulatory and economic - particularly rent control and the servicing of the land.

## MAJOR URBAN AREAS HAVE SEVERAL YEARS SUPPLY IN PLANNING

The potential short term supply of housing consists of units in three development stages: units currently under construction plus units completed but vacant; draft and final approved plans of subdivision; and those units pending draft plan of subdivision approval.

1. <u>Supply ranging from several months to over a year is currently in various stages of construction</u>. Only two of Ontario's 9 C.M.A.'s currently have less than six months supply of housing either under construction or completed and unoccupied:

| | Dwelling Units Either Under Construction or Completed and Unoccupied | No. of Years' Supply |
|---|---|---|
| Toronto | 37,750 | 1.1 |
| Ottawa | 4,270 | .6 |
| Hamilton | 7,890 | 1.6 |
| London | 4,430 | 1.2 |
| St. Catharines/ Niagara | 3,200 | 1.1 |
| Kitchener | 3,170 | 1.0 |
| Sudbury | 430 | .2 |
| Windsor | 870 | .3 |
| Thunder Bay | 970 | 1.1 |

2. Draft and final approval plans of subdivision indicate a further potential supply ranging from a half to about 4 years. Plans in this stage have a high probability of being constructed due to the considerable committments already contributed by municipalities and developers. Although not possible to quantify, additional potential exists in all C.M.A.'s in the form of registered plans not built upon.

| | Number of Units Draft & Final Approved (5/10/76) | Est. No. of Year's Supply |
|---|---|---|
| Toronto | 38,390 | 1.1 |
| Ottawa | 20,690 | 2.8 |
| Hamilton | 8,590 | 1.7 |
| London | 14,240 | 3.7 |
| St. Catharines/ Niagara | 6,340 | 2.2 |
| Kitchener | 7,300 | 2.3 |
| Sudbury | 5,110 | 2.4 |
| Windsor | 1,580 | .5 |
| Thunder Bay | 1,060 | 1.2 |

3. Plans pending approval vary greatly in magnitude among C.M.A.'s, ranging from a half year to about 4 years. Units in this stage of development have a longer development horizon and obviously many may not be approved. On the other hand there is a steady stream of new projects being added.

| | Number of Units Pending Approval (5/10/76) | Est. No. of Year's Supply |
|---|---|---|
| Toronto | 52,410 | 1.5 |
| Ottawa | 11,770 | 1.6 |
| Hamilton | 17,150 | 3.4 |
| London | 9,160 | 2.4 |
| St. Catharines/ Niagara | 12,090 | 4.2 |
| Kitchener | 5,250 | 1.6 |
| Sudbury | 1,210 | .6 |
| Windsor | 1,510 | .5 |
| Thunder Bay | 500 | .6 |

By totalling the units at each level of development it appears that all C.M.A.'s except Windsor have more than adequate short term supply. Based on our experience with this process 2-3 years is considered an adequate supply of units in the development process as this is the average time within which units not currently in the process could be ready for development. Summarizing by C.M.A.:

Exhibit 3.1

# OFFICIAL PLANS INDICATE THAT MOST MAJOR URBAN CENTRES ARE PLANNING FOR GROWTH IN EXCESS OF OUR FORECAST

POPULATION TARGETS

| C.M.A. | 1986 | 1996 | 2001 |
|---|---|---|---|
| Toronto | - | - | 4,890,000* |
| | - | - | *4,348,000*** |
| Ottawa | - | - | 1,000,000 |
| | | | *775,800* |
| Hamilton | - | - | 794,000 |
| | | | *690,600* |
| London | - | 439,000 | - |
| | | *412,600* | |
| St. Catharines/Niagara | - | 468-500,000 | - |
| | | *401,500* | |
| Kitchener | - | - | 531-614,000 |
| | | | *427,800* |
| Sudbury | - | 228,000 | |
| | | *251,800* | |
| Windsor | 330,000 | - | - |
| | *332,500* | | |
| Thunder Bay | 150,000 | - | - |
| | *158,200* | | |

** Various municipal official plans and population trend papers*

*** P.B.A. forecast*

| Census Metropolitan Area | Potential Number of Units | Years of Supply |
|---|---|---|
| Toronto | 128,550 | 3.8 |
| Ottawa | 36,730 | 5.0 |
| Hamilton | 33,630 | 6.7 |
| London | 27,830 | 7.3 |
| St. Catharines/ Niagara | 21,630 | 7.5 |
| Kitchener | 15,720 | 4.9 |
| Sudbury | 6,750 | 3.2 |
| Windsor | 3,960 | 1.3 |
| Thunder Bay | 2,530 | 2.8 |

## CURRENT OFFICIAL PLANS CAN ACCOMMODATE GROWTH IN EXCESS OF OUR FORECAST

Estimating the potential long term supply of housing is more complex because, with few exceptions, plans of the development industry are not known over this time horizon and many metropolitan areas lack completed official plans and housing policy studies. However, some understanding of long term supply has been gained by interviewing provincial and local planners responsible for official plans and by examining existing official plans, housing policy studies and municipal population trends and forecasts.

Our survey shows that many C.M.A.'s are planning for population growth 20% in excess of our forecast. Municipalities in the Ottawa and Kitchener C.M.A.'s are planning to accommodate growth 22% and 20% in excess of our forecast. On the other hand only Sudbury is planning for population significantly below our forecast. (Exhibit 3.1).

Exhibit 3.2

# ACREAGE REQUIREMENTS FOR HOUSING
## 1976-2001*

| | NUMBER OF ACRES |
|---|---|
| Ontario | 278,000 |
| Economic Regions | |
| Central | 179,000 |
| Southwestern | 41,000 |
| Eastern | 36,000 |
| Northeastern | 20,000 |
| Northwestern | 3,000 |
| C.M.A.'s | |
| Toronto | 98,000 |
| Hamilton | 15,000 |
| Ottawa | 22,000 |
| London | 13,000 |
| Kitchener | 13,000 |
| Windsor | 10,000 |
| St. Catharines/ Niagara | 10,000 |
| Thunder Bay | 2,000 |
| Sudbury | 8,000 |

* *Based on the following acreage requirements: Single - 4.5 units per acre; Semi - 7 units per acre; Row - 12 units per acre; Apartments - 27 units per acre (except in Toronto C.M.A. - 40 units per acre, and Central Ontario and all C.M.A.'s within - 35 per acre). These densities exclude major commercial, industrial, and institutional uses but are estimated to account for 55% of total urban requirements.*

** *Figures include much land that is already designated urban.*

## LAND ACREAGE REQUIREMENTS SMALL IN PROVINCIAL CONTEXT

Land acreage requirements for forecast level of housing are small in comparison to total land available. Approximately 278,000 acres are required to provide sufficient land for the total additional housing requirements to 2001. This acreage represents only .0012% of the province's land supply or an area equal to 1.8 times the land area of Metropolitan Toronto. Exhibit 3.2 summarizes the acreage requirements for each Economic Region and urban area.

Although the land area requirements are not large in total, some land use conflicts, particularly with prime agricultural uses may develop within the Central Ontario Economic Region.

## SEVERAL OTHER FACTORS COULD CONSTRAIN SUPPLY

Currently the major weakness in the housing market is the inability of builders and investors to obtain a rate of return on investments in rental property that is sufficient to attract their capital. This has resulted from the 1972 changes to capital cost allowances on rental property and more recently, rent control. This investment situation has been depressing the level of rental unit construction in recent years. As a result some difficulties may be experienced in supplying the required number of apartment units.

In order to achieve their population targets all the municipalities within the census metropolitan areas will be required to make extensive investments to increase sewage and water capacity. Although we have not undertaken a thorough analysis it is likely that some communities may experience delays in their ability to provide servicing, thus causing local delays.

* * * * * * * *

To summarize, new housing requirements are anticipated to remain at high levels in Ontario to 1986. This pattern will be experienced in each of the province's Economic Areas and its 9 major urban centres. Further declines will occur if net migration declines from the forecast level of 50,000 people annually. In terms of unit type a shift is expected to singles primarily because future household growth will be concentrated among mature family households who traditionally occupy single detached units and have the incomes to afford them. Land availability should not pose a major constraint to supplying these units.